

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2008 Second Round Cycle**  
**Tax-Exempt Bond Project with State Credits**  
**October 8, 2008**  
**REVISED**

**Project Number** CA-2008-905

**Project Name** Desert Palms Apartments

Site Address: 50600 Suncrest Street

Coachella, CA 92236

County: Riverside

Census Tract: 457.02

**Applicant Information**

Applicant: Coachella Leased Housing Associates I, Limited Partnership

Contact Jeff Huggett

Address: 2355 Polaris Lane North, Suite 100

Plymouth, MN 55447

Phone: (763) 354-5605

Fax: (763) 354-5650

Sponsors Type: Joint Venture

**Information**

Housing Type: At-Risk

**Bond Information**

Issuer: CalHFA

Expected Date of Issuance: November 1, 2008

Credit Enhancement: CalHFA Guaranteed Bond

**Eligible Basis**

Actual: \$13,878,397

Requested: \$13,878,397

Maximum Permitted: \$45,112,858

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20% ☒

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 65% ☒

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20% ☒

**Tax Credit Amounts**

**Federal/Annual**

**State/Total**

Requested: \$485,744

\$1,804,191

Recommended: \$485,744

\$1,804,191

### Project Information

Construction Type: Acquisition and Rehabilitation  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: Yes  
Total # of Units: 112  
Total # Residential Buildings: 14

### Income/Rent Targeting

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 111 units  
55-Year Use/Affordability Restriction: Yes  
Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 50%  
Number of Units @ or below 30% of area median income: 12  
Number of Units @ or below 45% of area median income: 17  
Number of Units @ or below 50% of area median income: 56  
Number of Units @ or below 60% of area median income: 26

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<b>Owner/Management Characteristics</b> Maximum of 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum of 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum of 15 points	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b> Maximum of 10 points	<b>10</b>	<b>5</b>	<b>5</b>
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<b>Sustainable Building Methods</b> Maximum of 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Rehabilitation project that increases energy efficiency 25% above existing efficiency	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<b>Lowest Income</b> Maximum of 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b> Maximum of 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>124</b>	<b>119</b>	<b>119</b>

<u>Unit Type &amp; Number</u>	<u>2008 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
2 One-Bedroom Units	30%	\$307
17 One-Bedroom Units	45%	\$494
4 One-Bedroom Units	50%	\$557
1 One-Bedroom Unit	60%	\$682
7 Two-Bedroom Units	30%	\$363
37 Two-Bedroom Units	50%	\$662
20 Two-Bedroom Units	60%	\$812
3 Three-Bedroom Units	30%	\$413
15 Three-Bedroom Units	50%	\$759
5 Three-Bedroom Units	60%	\$932
1 Three-Bedroom Units	Manager's Unit	\$1,001

The general partners or principal owners are Coachella Leased Housing Associates I, LLC and Central Valley Coalition for Affordable Housing.

The project developer is Coachella Leased Housing Development I, LLC.

The management services will be provided by Dominion Management Services, Inc.

The market analysis was provided by Novogradac & Company, LLP.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

### **Project Financing**

Estimated Total Project Cost: \$17,618,665 Per Unit Cost: \$157,310 Construction Cost Per Sq. Foot: \$40

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CalHFA Bridge Loan	\$8,925,000	CalHFA 1 <sup>st</sup> Mortgage	\$1,975,000
CalHFA 2 <sup>nd</sup> Mortgage	\$4,250,000	CalHFA 2 <sup>nd</sup> Mortgage	\$4,250,000
City of Coachella	\$500,000	HCD-MHP	\$3,943,000
Reserves from Seller	\$333,731	City of Coachella	\$500,000
Income from Operations	\$273,762	Reserves from Seller	\$333,731
Investor Equity	\$1,095,960	Income from Operations	\$273,762
		Deferred Developer Fee	\$863,272
		Investor Equity	\$5,479,800
		<b>TOTAL</b>	<b>\$17,618,665</b>

### **Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$6,486,377
Requested Acquisition Eligible Basis:	\$7,392,020
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$6,486,377
Qualified Acquisition Basis:	\$7,392,020
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$227,023
Maximum Annual Federal Acquisition Credit:	\$258,721
Total Maximum Annual Federal Credit:	\$485,744
State Credit Applicable Rate:	13%
Total State Credit:	\$1,804,191
Approved Developer Fee in Project Cost:	\$1,902,052
Approved Developer Fee in Eligible Basis:	\$1,198,050
Tax Credit Factor: <i>Alliant Capital</i>	\$0.82259

Applicant requests and staff recommends annual federal credits of \$485,744 and total state credits of \$1,804,191, based on a qualified rehabilitation basis of \$6,486,377, a qualified acquisition basis of \$7,392,020, and a funding shortfall of \$5,479,800.

### **Cost Analysis and Line Item Review**

The requested eligible basis \$13,878,397 is below TCAC's adjusted threshold basis limit \$45,112,858. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with exception of the developer fee cost. Please refer to the "Special Issues/Other Significant Information" section of the staff report for further details.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** Staff noted the distribution of the developer fee cost in basis between rehabilitation basis and acquisition basis was in excess of the limit on the rehabilitation basis side required by regulation. The acquisition and rehabilitation basis were adjusted accordingly in order to meet the limits required by regulation. The change did not affect the amount of credits recommended.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual  
**\$485,744**

State/Total  
**\$1,804,191**

### **Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

### **Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Anthony Zeto